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Municipal Cash Imposts in Ontario

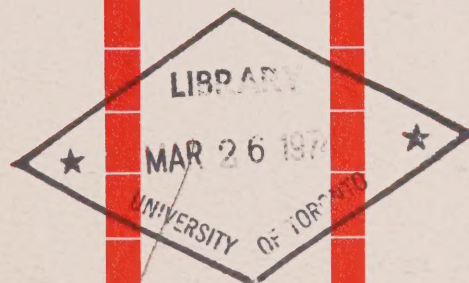
An Exploratory Study

Prepared for
The Ontario Housing
Advisory Committee

by
Clayton Research
Associates

reference publication

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ONTARIO HOUSING ADVISORY COMMITTEE

Suite 202, 36 Wellesley Street West, Toronto, Ontario • 965-4611

December, 1973

Hon. Robert Welch,
Ministry of Housing,
Parliament Buildings,
Queen's Park,
Toronto, Ontario.

Dear Mr. Minister:

In its deliberations on the costs of housing, the Ontario Housing Advisory Committee commissioned Clayton Research Associates to undertake a study on municipal imposts. The results of that study are contained in the enclosed document "Municipal Cash Imposts in Ontario-An Exploratory Study".

It is obvious there is no uniformity in the application of these charges throughout the Province, either in rates levied or use of the funds collected. Clearly, the question remains whether imposts are an equitable way of distributing costs of housing development and more importantly, whether imposts are a necessary measure.

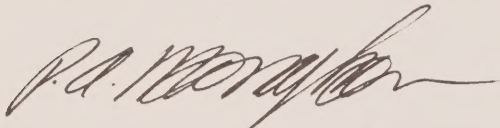
The report of the Advisory Task Force on Housing Policy suggested the abolition of imposts. Chapter 294 states:

"Many municipalities, especially smaller and rapidly growing municipalities are unable to provide and pay for the installation of secondary services in support of housing development. Arrangements vary considerably now for the payment of services usually resulting in the direct passing on of the servicing costs to the home purchaser. As a principle there should be a return to a general system of secondary services by municipalities rather than by developers, and the elimination of levies by municipalities for secondary services."

In summary, it is the opinion of our Committee that cash imposts are a significant and ever increasing factor in the cost of housing and the following specific recommendations are therefore forthcoming:

- 1) As a temporary measure, regulations or other procedures should be established by the Province which would limit impost charges to the recovery of costs which bear directly on new development, i.e. trunk sewers and watermains, arterial road extensions and major drainage courses. Further, that imposts be earmarked and placed in separate funds to fulfill the purposes for which the money was collected.
- 2) Recognizing that the recommendations as indicated in #1 above are being made as a temporary stop-gap measure, we feel that in the longer run it is necessary to consider municipal imposts on a much more comprehensive basis and to consider the elimination of the need for imposts.

Respectfully submitted,



P. A. Monaghan, P.Eng.,
Chairman.

Encl. 1

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MUNICIPAL CASH IMPOSTS IN ONTARIO
AN EXPLORATORY STUDY

This report has been prepared by
Clayton Research Associates

for

The Ontario Housing Advisory Committee

October, 1973

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CHAPTER 1

INTRODUCTION1. STUDY PURPOSE

The study has been undertaken in order to provide factual information relating to municipal cash imposts on residential development in Ontario. The objectives of the study are fourfold:

- (a) to ascertain the current level of municipal cash imposts by municipality and type of residential development, e.g., single-detached houses versus one-bedroom apartments, etc., and new development versus redevelopment;
- (b) to determine trends in both the number of municipalities levying imposts and the increase in the level of such imposts over the past decade or so;
- (c) to identify the reasons why municipalities levy such imposts; and
- (d) to attempt to determine what municipalities do with the funds raised through the levy of imposts.

The study does not deal with policy issues related to municipal cash imposts; instead it is directed to the gathering and analysis of municipal cash impost data. Moreover, the study is limited to a detailed examination of cash imposts in a sample of eight municipalities though data on the current level of imposts were collected for a larger number of municipalities.

2. WORK PROGRAM

Data on municipal cash imposts have been collected in three distinct ways. First, an effort was made to determine what previous studies there were which dealt with the subject of municipal cash imposts in the Province of Ontario. In this connection libraries at the University of Toronto, University of Waterloo and the Ontario Ministry of Treasury, Economics and Intergovernmental Affairs were contacted. It was soon discovered however that very little previous work had been carried out on municipal cash imposts. The author was able to locate copies of only two previous studies which dealt with cash imposts -- a 1960 study of the Citizens Research Institute of Canada, a predecessor of the Bureau of Municipal Research, and a report issued by the Ontario Committee on Taxation in 1967. These reports however help to provide a historical perspective on the evolution of municipal cash imposts in Ontario.

Secondly, the Ontario Housing Advisory Committee sent a short questionnaire to 62 municipalities in July, 1973 requesting information on their current level of cash imposts by type of development and land use. In addition, the consultant became aware of a similar but smaller survey conducted by the City of Niagara Falls in January, 1973. These two surveys provide a reasonably comprehensive picture of inter-municipal variations in cash imposts at the present time.

And thirdly, the consultant interviewed municipal officials in a sample of eight municipalities. Initial contact was made by means of a letter sent by the Executive Director of the Ontario Housing Advisory Committee to the municipal clerk in each of the eight municipalities. The clerks were informed of the study's objectives and were asked to provide names of the official (or officials) most knowledgeable on the subject of cash imposts in particular and developer financing of municipal services in general in their municipalities.

All in all the interviews were quite successful. The quality and content of the information gathered varied widely however, due to a number of considerations. In several instances the officials likely to be most helpful were on holidays during the two week period in which

interviews were scheduled. Moreover, in a few cases the officials interviewed had not been with the municipality for more than a few years. Combined with an apparent lack of written material dealing with the reasons for originally levying cash imposts, changes in the reasons and the level of imposts over time, and expenditures from impost reserve funds over time, this made it virtually impossible to gain a thorough insight into the history and nature of imposts in some of the sample municipalities. Lastly, while many of the officials interviewed were extremely cooperative in answering questions and providing copies of internal reports and memoranda related to various aspects of municipal imposts, a very small number of officials were much less helpful.

3. CONSTRAINTS

This study is not, and was not intended to be, a comprehensive investigation into all aspects of municipal cash imposts in Ontario. The study was commissioned with a specific purpose in mind -- to provide sufficient background data to enable the Ontario Housing Advisory Committee to formulate policy recommendations on the subject of municipal cash imposts.

It should be noted in this regard that the Local Planning Policy Branch of the Ontario Ministry of Treasury, Economics and Intergovernmental Affairs is planning to

undertake an in-depth investigation of municipal cash imposts. This study will begin in the fall of 1973 and will likely take more than a year to complete. It is hoped that the present study will in some ways serve as a pilot investigation for this larger comprehensive study by pointing out matters which should perhaps be explored in greater detail.

4. DEFINITION OF CASH IMPOSTS

The Ontario Committee on Taxation defined cash imposts in the following way:

"These are lump-sum contributions that developers are expected to make as part of many subdivision agreements in addition to providing or paying for the installation of specified municipal services. Cash imposts may be earmarked for designated purposes and therefore stand in lieu of responsibility for service installations; they may be obtained on grounds of another stated municipal need such as school construction; or they may be imposed for an unspecified purpose."*

The Ontario Committee on Taxation then distinguishes between two basic types of cash imposts: (a) those which are earmarked for a specific purpose (e.g., the extension of water mains to a subdivision which are constructed by the local Public Utilities Commission) and those which are not earmarked for a specific purpose; this second type of impost should also include those which are earmarked for a

*The Ontario Committee on Taxation Report, Volume 11 (Toronto: Queen's Printer, 1967), pages 311-312.

nebulous purpose such as "capital improvements". This study looks at both types of cash imposts. The study does not examine other kinds of cash contributions such as engineering fees and subdivision processing fees.

It should be noted that municipalities typically do not appear to refer to either type of lump-sum contribution as cash imposts. As an illustration, among the names for general purpose levies on new subdivision development are "capital contribution", "development charge" and "lot levy".

5. SELECTION OF SAMPLE MUNICIPALITIES

A number of criteria were used as the basis for choosing the eight municipalities in which interviews were to be conducted. It was decided at the beginning that the sample should be restricted to municipalities experiencing a considerable volume of residential construction. In selecting eight municipalities from the universe which satisfies this requirement, the following factors were considered:

- (a) the level of cash imposts;
- (b) the price of serviced lots; and
- (c) the ratio of residential tax revenue to
total tax revenue;

Table 1 shows that each of the eight study municipalities had more than 1,200 dwelling starts in both 1971 and 1972.

TABLE 1
SELECTED BACKGROUND STATISTICS FOR SAMPLE MUNICIPALITIES

Municipality	Dwelling Starts (units)						Total																																																																																										
	Single-detached		Semi-detached and Duplex		Row		Apartment																																																																																										
	1971	1972	1971	1972	1971	1972	1971	1972																																																																																									
Burlington, Town	934	1,128	30	222	225	433	244	270																																																																																									
Gloucester, Township	999	631	250	34	295	348	-	639																																																																																									
Hamilton, City	711	1,033	224	210	361	469	1,933	3,311																																																																																									
Kitchener, City	596	855	414	232	274	260	889	1,506																																																																																									
Nepean, Township	433	383	76	6	386	448	625	485																																																																																									
Oshawa, City	357	523	329	122	-	53	572	597																																																																																									
St. Catharines, City	794	875	106	138	12	135	679	1,283																																																																																									
Scarborough, Borough	1,261	1,238	458	835	653	920	4,413	3,147																																																																																									
							1,433	2,053																																																																																									
							1,544	1,652																																																																																									
							3,229	5,023																																																																																									
							2,173	2,853																																																																																									
							1,520	1,322																																																																																									
							1,258	1,295																																																																																									
							1,591	2,431																																																																																									
							6,785	6,140																																																																																									
<table> <tr> <td rowspan="2">Average Price of Serviced Lots for New Single-detached NHA-Financed Houses</td><td colspan="2">1972 Dollars</td><td colspan="2">1972 Percent</td><td colspan="2">Taxes on Residential and Farm Property as a Percent of All Tax Revenue</td><td colspan="2">Major Cash Imports on Single-detached Houses</td></tr> <tr> <td colspan="2">1972 Dollars</td><td colspan="2">1972 Percent</td><td colspan="2">1970 Percent</td><td colspan="2">July, 1973 Dollars</td></tr> <tr> <td>Burlington, Town</td><td>11,650</td><td>46.3</td><td>69.8</td><td>1,500</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Gloucester, Township</td><td>7,287</td><td>27.4</td><td>65.2</td><td>350</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Hamilton, City</td><td>12,002</td><td>53.6</td><td>46.7</td><td>250</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Kitchener, City</td><td>7,327</td><td>83.6</td><td>50.0</td><td>500</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Nepean, Township</td><td>9,707</td><td>12.3</td><td>71.2</td><td>900</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Oshawa, City</td><td>11,223</td><td>55.0</td><td>49.9</td><td>340</td><td></td><td></td><td></td><td></td></tr> <tr> <td>St. Catharines, City</td><td>7,620</td><td>78.7</td><td>57.6</td><td>Nil</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Scarborough, Borough</td><td>13,720</td><td>31.4</td><td>59.5</td><td>575</td><td></td><td></td><td></td><td></td></tr> </table>									Average Price of Serviced Lots for New Single-detached NHA-Financed Houses	1972 Dollars		1972 Percent		Taxes on Residential and Farm Property as a Percent of All Tax Revenue		Major Cash Imports on Single-detached Houses		1972 Dollars		1972 Percent		1970 Percent		July, 1973 Dollars		Burlington, Town	11,650	46.3	69.8	1,500					Gloucester, Township	7,287	27.4	65.2	350					Hamilton, City	12,002	53.6	46.7	250					Kitchener, City	7,327	83.6	50.0	500					Nepean, Township	9,707	12.3	71.2	900					Oshawa, City	11,223	55.0	49.9	340					St. Catharines, City	7,620	78.7	57.6	Nil					Scarborough, Borough	13,720	31.4	59.5	575				
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Sources: Dwelling starts and lot cost data: Central Mortgage and Housing Corporation. Tax revenue data: 1970 Summary of Financial Reports of Municipalities, Volume 1 (Toronto: Queen's Printer, 1972). Impost data: Individual municipalities.

Furthermore, the sample includes areas exhibiting significant variation in the types of housing that were constructed in these years. The sample municipalities also encompass areas covering a broad range of serviced lot costs, the relative importance of property taxes on residential properties, and the level of municipal cash imposts.

6. REPORT FORMAT

Chapter 2 briefly summarizes the growth in municipal cash imposts in Ontario over the postwar years. In addition to outlining the history of imposts and briefly discussing the growth of subdivision agreements, the chapter presents the results of a cash impost survey conducted by the Ontario Housing Advisory Committee in July of this year. Chapter 3 documents the evolution and growth of municipal cash imposts in the eight sample municipalities, while Chapter 4 examines various aspects of current imposts in these areas. The chapter also includes a brief discussion of the financial requirements other than cash imposts placed on developers by municipalities. In Chapter 5 use of the revenue raised by cash imposts in the eight sample municipalities is explored. The study's conclusions are presented in Chapter 6.

CHAPTER 2

A BRIEF HISTORY OF MUNICIPAL CASH IMPOSTS IN ONTARIO

Cash imposts represent only one part of the more general question related to developer financing of municipal services in Ontario. Consequently, one should be cautioned not to construe inter-municipal differences in cash imposts as being indicative of inter-municipal differences in the total financial obligations placed on developers. To illustrate, assume Municipality A requires developers of new residential subdivisions to install and pay for all municipal services within subdivisions and all extension of roads, trunk sewer and water mains, etc. to the subdivisions even though the services required by the municipality are larger than what is needed to service each of the local subdivisions. Municipality A does not levy a cash impost. Municipality B on the other hand imposes a cash impost on developers but credits developers for the cost of oversized services. While a comparison of municipal imposts would reveal Municipality B has an impost while Municipality A does not, actually the total financial obligations of developers in the two

communities are the same.

Hence, while the present study is concerned with cash imposts it is appropriate to take a brief look at postwar trends in the growth and nature of subdivision agreements before turning to an examination of municipal cash imposts.

1. POSTWAR GROWTH OF SUBDIVISION AGREEMENTS

It appears that the practice of requiring developers to take responsibility for the provision of municipal services in new subdivisions first became prominent in the early postwar years. This was a time of immense housing demand and significant demand on municipal financial resources. These pressures resulted in municipalities making increased use of subdivision agreements and a concomitant shift in the responsibility for the financing of municipal services in new subdivisions to developers.

The Ontario Committee on Taxation identified four trends which emerged over the years 1953 to 1963. These were:

- "(1) Over the period the use of subdivision agreements to transfer municipal service costs to developers came into much more general use.
- (2) Where at the beginning of the period, subdivision agreements had been relatively common among the large urban and suburban municipalities, their use spread increasingly to smaller municipalities in the course of the decade.
- (3) The introduction of subdivision agreements among smaller municipalities paralleled a considerable growth in the number of registered subdivision plans processed by these municipalities.

- (4) Between 1953 and 1963, the responsibilities placed upon the developer for municipal services were appreciably broadened, and an increasing number of developers were expected to make cash payments in addition to providing or paying for specific municipal services."*

The interest of the present study of course is essentially directed at item (4) relating to the trend of requiring developers to make cash payments in addition to providing specific municipal services. It should be observed though that the underlying forces which led to greater financing of specific municipal services by developers also led more or less in a natural progression to the requirement for cash imposts. Once municipalities saw the ease with which financial responsibility for specified services could be shifted to developers, it was only a matter of time until municipalities tested and determined developer acceptance, albeit reluctantly given, to additional cash payments.

2. POSTWAR GROWTH OF MUNICIPAL CASH IMPOSTS

(a) New Subdivisions

The earliest survey of municipal cash imposts in Ontario appears to have been one conducted by the Citizens

*The Ontario Committee on Taxation Report, Volume 11 (Toronto: Queen's Printer, 1967), page 311.

Research Institute of Canada in 1959.* Table 2 which is a reproduction of Table IV of the Institute's report dealing with cash imposts discloses the following:

(a) About 40 percent of the municipalities responding (19 out of 50) levied either earmarked or unearmarked cash imposts in 1959.

(b) About 20 percent of the municipalities answering the question on imposts (8 out of 39 municipalities) raised funds for a specified purpose. The most common services specified were trunk sewers and sewer plants though engineering inspection services, trunk water mains and parks were also mentioned.

(c) Eleven of the 41 responding municipalities (slightly more than 25 percent) reported levying imposts for unspecified purposes or for a vaguely identified purpose such as "capital cost of services".

The Institute's conclusions with regard to cash imposts are of interest:

"Cash imposts are the factor most susceptible to abuse in the entire scheme of subdivision agreements. If permitted by provincial legislation, cash imposts should be strictly controlled both as to amount and purpose."

The legality of cash imposts (and incidently of subdivision agreements) prior to 1958 and 1959 is ambiguous.

*The information collected on what are referred to as capital contributions was part of a larger survey pertaining to the financing of municipal services in new subdivisions. See Subdivisions Story (Toronto: Citizens Research Institute of Canada, 1960).

TABLE 2 CAPITAL CONTRIBUTIONS REQUIRED FROM DEVELOPERS
ONTARIO MUNICIPALITIES, 1959

	<u>None Required</u>	<u>No Reply</u>	<u>Contributions Required</u>
(a) for School Construction	35	14	1 - land for school site(s) 1 - \$4.00 per foot 1 - 1 school site
(b) for Other Designated Purposes	31	11	1 - \$5.00 per lot, sewerage \$25.00 per lot, trunk water mains \$35.00 per acre "inspection of engineering plans" 3 - "Engineering inspection services" 1 - \$50.00 per lot, "schools, roads, sewage plants, etc." 1 - \$100.00 per lot, parks 1 - \$100.00 per lot, storm sewer trunks outside subdivision 1 - "trunk sewers and major sewerage projects"
(c) Purposes not Designated	30	9	3 - \$300.00 per lot 2 - \$ 50.00 per lot 1 - \$400.00 per lot 1 - \$400.00 per lot, "capital cost of services" 1 - \$350.00 per lot 1 - \$250.00 per lot 1 - \$200.00 per lot, "area development charge" 1 - \$100.00 per lot

Source: Subdivisions Story (Toronto: Citizens Research
Institute of Canada, 1960).

What is now Section 309 was introduced into The Municipal Act in 1958.* The essence of Section 309 is that where imposts are levied in new subdivisions the revenue should be used to meet municipal expenditures for work done within the subdivision or for the benefit of residents of the subdivision or to meet expenditures incurred wholly or in part as a consequence of subdivision of the land. Where the impost is made for a specific purpose it has to be used for this purpose unless the Department of Municipal Affairs approves otherwise. Impost revenue must be placed in reserve funds and is subject to the same controls as other reserve funds.

The report of the Ontario Committee on Taxation released in 1967 noted a trend toward greater use of cash imposts.** The Committee like the earlier report of the Citizens Research Committee of Canada was unhappy with the prevailing practice of levying cash imposts. In fact it recommended the prohibition of this type of capital levy:

"We deem it unreasonable to finance through developers services beyond the physical installations needed to open up subdivisions and the land required for public purposes by each subdivision. Specifically, we fail to see that cash imposts are warranted except as permitted contributions toward the cost of physical service installations. We therefore recommend that: cash imposts on developers for unspecified purposes, or for purposes other than the recovery of the cost of allowable municipal service installations or extensions, be prohibited."***

*See Appendix A for the entire text of Section 309.

**The Ontario Committee on Taxation Report, op. cit., page 312.

***Ibid., page 318.

(b) Development Outside Subdivisions

It appears that after some controversy which ended with an affirmative ruling from the Supreme Court of Canada, the City of Ottawa by means of a private member's bill passed in the Ontario Legislature, received authority to impose a special levy on new high rise residential and commercial buildings in the downtown area. The levy was to help pay the capital cost of constructing and re-constructing sewers and water mains in the downtown area.

In 1965 The Municipal Act was amended to allow all municipalities, subject to Municipal Board approval, to pass by-laws similar in nature to the Ottawa private member's bill. Section 359 of The Municipal Act restricts the imposition of special charges to provide only for additional sanitary and storm sewer and water capacity needed to service new development. Among the exemptions to the special charge are residential structures with two or less dwelling units, non-residential buildings having 3,000 square feet or less of floor area, and buildings in subdivisions subject to an agreement under Section 33 of The Planning Act.* The proceeds of these special charges must be put in a reserve fund and are subject to the controls thereon.

3. MUNICIPAL CASH IMPOSTS IN 1973

At the time this report was written 40 of 62 municipalities

*See Appendix A for the text of Section 359 of The Municipal Act.

had responded to the Ontario Housing Advisory Committee's questionnaire.* In the ensuing discussion of the current level of cash imposts, the results of the Committee's survey have been supplemented by information collected by the consultant in the eight sample municipalities (which were not included in the Committee's survey) and partial information from the City of Niagara Fall's survey on an additional eight municipalities. Statistics on imposts in a total of 56 Ontario municipalities have been tabulated. It should be pointed out that the Niagara Falls survey asked fewer questions than the Committee survey so less information is available for some municipalities than others.

The highlights of the statistical tabulations are presented below.

- Of the 56 survey municipalities 14 or 25 percent did not levy cash imposts on new subdivision development.
- Slightly more than 55 percent (19) of the 34 municipalities which provided information on the purpose of cash imposts levied unearmarked or imposts for a general purpose such as "capital expenditures", with slightly less than 45 percent (15) of the municipalities raising funds for specified purposes.

* Full details of cash imposts in each of the municipalities which responded to the questionnaire survey are available from the Ontario Housing Advisory Committee.

- Cash imposts on new single-detached houses were under \$500 in 21 of the 37 municipalities giving this information; 8 municipalities had imposts between \$750 and \$999. Only two municipalities reported imposts exceeding \$1,000 -- Ancaster Township \$1,200 and the Town of Burlington \$1,500.
- Typically the imposts levied on high rise multiple residential development were less than those on single-detached, semi-detached and duplex houses. The highest impost on high-rise apartments in the municipalities surveyed was \$750 per unit in Burlington, Niagara on the Lake and Newmarket.
- Of the 33 municipalities which levy imposts and provided information on imposts related to commercial and industrial development in new subdivisions, approximately 50 percent (17) levied imposts on commercial development and less than 40 percent (13) levied imposts on industrial development. In other words, about half the municipalities which subject residential development to an impost do not apply imposts to commercial development and even fewer apply imposts to industrial development.
- Only 24 of the 56 municipalities surveyed (43 percent) levied imposts on new development outside subdivisions. This is in contrast with 75 percent

of municipalities which levy imposts on new subdivision development.

4. TRENDS IN CASH IMPOSTS 1959-1973

While the earlier survey of the Citizens Research Institute of Canada and the 1973 survey did not cover the same municipalities, a comparison of the two provides a rough idea of the basic trends in cash imposts over a 14 year period.

Over the period the imposition of imposts became more widespread. Whereas around 40 percent of the municipalities surveyed in 1959 levied cash imposts the proportion rose to about 75 percent in 1973.

The use of unearmarked imposts appears to have grown more popular. Of the municipalities levying imposts, roughly 40 percent of the 1959 sample levied unearmarked or general purpose imposts compared to slightly more than 55 percent in 1973.

And lastly, the general level of imposts appears to have increased over the period. The highest impost reported in 1959 was \$400 per single-detached lot; in 1973 the largest impost reported was \$1,500 per lot.

CHAPTER 3

HISTORY OF CASH IMPOSTS IN EIGHT
ONTARIO MUNICIPALITIES

The previous chapter illustrated that cash imposts levied by municipalities are characterized by much diversity. In the absence of standards or guidelines established by the Ontario Government, municipalities have had a good deal of freedom to enact a cash impost structure according to their own convictions and needs. It is useful therefore to explore the evolution of cash imposts in a sample of eight municipalities.

The ensuing descriptions of cash impost structures are presented in varying degrees of completeness; the reason for this is that information provided by municipal officials varied in terms of content. The description of imposts in the Town of Burlington is most complete while the narratives for Gloucester Township and the City of Oshawa are sketchy at best.

1. TOWN OF BURLINGTON

The Town of Burlington appears to have been one of the first municipalities in Ontario to levy a cash impost on developers of subdivisions. According to a very interesting

and comprehensive study prepared by the Planning & Development Committee of the Burlington Town Council in 1960 entitled The Subdivision Story, both the Town of Burlington and the former Nelson Township (now part of Burlington) in the early 1950's imposed a per lot capital contribution on subdividers to finance better road construction in new subdivisions.* While the study does not indicate the level of imposts at that time, it mentions that an impost (called a capital contribution) of \$300 per lot was in effect at the time the study was prepared.

One of the objectives of the 1960 study was to determine the adequacy of the \$300 per lot capital contribution. To estimate this the study went through a series of calculations. The basic approach consisted of (a) estimating the total capital costs associated with an average new house;** (b) estimating the debenture value of a new house; and (c) calculating the gap between capital costs and debenture value. The principle behind capital contributions as enunciated in the study was "in order to sustain the borrowing power of the Corporation, the capital contribution was determined to be the difference between

* Planning & Development Committee of the Burlington Town Council, The Subdivision Story (Burlington, May 30, 1960).

** Included were capital costs for schools, sanitary sewers and trunk lines, arterial roads, civic buildings, maintenance equipment, trunk storm sewers and public utilities (water and hydro).

the debentures required and the borrowing capacity of the home".

The study found the \$300 capital contribution to be insufficient by \$100 and recommended that the contribution be increased to \$400, which was subsequently done. Imposts were not levied on multiple types of housing at this time or on industrial or commercial development.

In early 1964 following an affirmative decision by the Supreme Court of Canada on the City of Ottawa's private member's bill to allow the City to levy a sewer and water impost on new high rise development in the downtown area, Burlington considered and eventually some years later (1971) had a similar private member's bill passed in the Legislature. Unlike the Ottawa impost, the Burlington impost was applicable to all new residential development outside new subdivisions but did not apply to commercial and industrial development. Sometime prior to 1966 the impost for new subdivisions was extended to apply to both multiple and single-family housing.

At the beginning of 1966 the impost rates in effect were as follows:

	<u>Dollars</u>
Single-family units	400
Semi-detached units	400
Multiple residential structures	
having 3 storeys or less:	
2 bedroom	200
3 bedroom	300
Apartment units	100
Industrial and commercial	nil

In January, 1966 the Staff Committee recommended a substantial increase in cash imposts. It also proposed that a developer could get a reduction in the amount of imposts payable if he provided industrial assessment. Following protestations from local developers, the rebate proposal related to industrial assessment was withdrawn and a two stage increase in imposts recommended -- the first to come into effect immediately and the second to be effective January 1, 1967 in the event that the 1966 increase did not provide sufficient funds or the industrial assessment ratio did not improve in 1966.

A study which had indirect implications for cash imposts was released in December of 1966. This study was the report of the Mayor's Committee on Impact of Growth on the Mill Rate. The conclusions of the Committee were that on average residential property cost the Town \$1.25 for every \$1.00 of tax revenue produced while commercial and industrial properties brought in \$3.75 of revenue for each dollar they cost the Town. Moreover, the study calculated that for an average unit of low and medium density housing costs exceeded tax revenues whereas for high density apartment units revenues exceeded costs.

The two stage increase proposed in early 1966 apparently came into effect since in 1968 the impost on single-family house lots had risen to \$1,050 from \$400 at the beginning of 1966. Two attributes of the schedule of

imposts in effect in 1968 are extremely unusual. The impost for each unit of semi-detached housing was \$1,500 and the impost for three bedroom units in multiple structures of three storeys or less was \$1,250 -- both of which were higher than the impost on single-family houses. While the reasons behind the higher rates are not known, internal memoranda suggest it was entirely a council decision and not based on a staff recommendation.

In May of 1969 the Staff Committee again recommended an increase in cash imposts. Reductions were proposed however in the imposts on semi-detached units and three bedroom units in low rise multiple structures. In addition, a higher levy was proposed for three bedroom units in high rise apartment structures than that applicable for units having less than three bedrooms. Lastly, the Committee recommended that "50 percent of all contributions received from June 1, 1969, should be set aside for use for storm drainage or creek enclosures and this should be exclusive of any work required within a sub-division where the Town shares in the cost". The Staff Committee recommendations were adopted by the Town Council with only minor change.

Prior to 1969 impost revenue collected by the Town of Burlington was used for a variety of purposes. According to the Urban Development Institute:

" . . . over the past 5 years some 25% of imposts raised from levies against development have been used for general municipal purposes

rather than for uses specifically attributable to those developments contributing. In particular we refer to \$540,000 which was utilized for street lighting, precinct stations, the hospital, the purchase of a building on Maria Street and the like."

The UDI letter went on to suggest that in the future the Town should restrict the use of impost revenue to the provision of trunk services attributable to new developments.

In commenting on the UDI points a Staff Committee letter addressed to the Mayor stated that what the UDI letter said about the use of impost revenue was correct. It then went on to say:

". . .we do feel that the funds have been expended in most cases because of the Town's expansion. There was never any intention that these funds would be used only for trunk services to permit future expansion."

The imposts were increased in 1969 and again in July, 1973. Table 3 outlines changes in imposts over the past five years.

Over this period the largest percentage increases took place in the imposts on units in high rise apartment structures. The impost on semi-detached units remained at the 1968 level in 1973 while the impost on three bedroom units in low rise multiple structure rose by only 20 percent. It should be remembered though that these latter two imposts were unusually high in 1968. The impost on single-detached houses increased by about 43 percent between 1968 and 1973 or about 8 percent per year.

TABLE 3 CAPITAL CONTRIBUTIONS, TOWN OF BURLINGTON,
1968-1973

	In Effect 1968	1969	In Effect July 1973	Percent Increase 1968-1973 <u>Percent</u>
	<u>Dollars</u>			
<u>Single-family units</u>				
Improvement area	1,050	1,200	1,500	42.8
Rural area	788	900	1,200	52.4
<u>Semi-detached units</u>	1,500	1,200	1,500	--
<u>Multiple residential units</u> <u>in structures of 3 storeys</u> <u>or less</u>				
2 bedrooms or less	450	600	1,500	233.3
3 bedrooms or more	1,250	1,200	1,500	20.0
<u>Apartment buildings of 4</u> <u>storeys or more</u>				
2 bedrooms or less	150	250	750	400.0
3 bedrooms or more	150	350	750	400.0
<u>Industrial and commercial</u>	Nil	Nil	Nil	

The large increase in high rise apartment imposts in July, 1973 appears to have been a direct result of the City of Niagara Falls survey of imposts conducted earlier in the year. The survey indicated that Burlington's apartment imposts were low in comparison to other municipalities.

2. CITY OF HAMILTON

In 1969 the City of Hamilton enacted By-Law No. 69-174 which established a sewer impost pursuant to the provisions of Section 359 of The Municipal Act. A levy of \$160 per dwelling unit and \$0.25 per square foot for non-residential

buildings was established for new development outside new subdivisions.

In 1970 the City passed a by-law imposing a trunk sewer charge of \$250 per unit for all types of housing and \$0.25 per square foot for commercial and industrial development in new subdivisions. Unlike the general situation in other municipalities, the impost was tied to the financing of a particular capital facility.

The City reached agreement with the Ontario Housing Corporation whereby OHC would design and build the complete sewer system needed to service the east mountain area of the City and lands in Saltfleet Township. The system would service both OHC and privately-owned land in those areas. The impost was levied to enable the City to repay a loan provided by OHC.

3. NEPEAN TOWNSHIP

In 1962 Nepean Township enacted By-Law No. 20/62 which imposed a sewer fund charge and a water fund charge on developers of lands which are or will be serviced with municipal sewer and water. The imposition of capital charges for sewer and water followed completion of a major trunk sewer and sewage disposal plant construction program in the Township.

Provisions of the By-Law appear to have allowed the imposition of sewer and water charges on all new buildings

constructed on previously vacant land though, in practice, the 1962 By-Law was restricted to residential development. The charges ranged from \$450 for single-family dwellings (\$150 water fund charge and \$300 sewer fund charge) to \$200 for units in apartment buildings having more than five units.

In December of 1963 the Township Council passed a resolution to extend the sewer and water charges to industrial and commercial development. These charges were incorporated into By-Law No. 20/62 in April, 1965. The combined sewer and water fund charge was established as the lesser of two percent of the estimated cost of the building or 20 cents per square foot of gross floor area.

In 1967 By-Law No. 20/62 was amended. The only change however was made in Schedule A which contained the charges on residential development. References to separate charges for the water and sewer funds were removed and the new schedule "A" referred only to "total charges"; the charges remained at the 1962 level however.

In 1969 the "total charges" were increased moderately -- from \$450 to \$500 for single-family dwellings and from \$200 to \$300 for units in apartment structures containing more than five units.

The By-Laws enacted in 1962, 1965, 1967 and 1969 were all repealed in 1970. In their place a new By-Law with respect

to development charges was enacted. Revenues from the charges were "to be used for the development of municipal works or municipal construction or municipal structures".

By-Law No. 85-70 also increased the charge (now called development charge) on residential development to \$900 for all types of housing except high rise apartments; for high rise apartments the charge was set at \$450 per unit.

For commercial and industrial buildings the charges were based on a percentage of the building permit value -- 2 percent on the first \$500,000, 1 percent on the next \$500,000 and 0.5 of 1 percent on the value over \$1 million.

Later in 1970 By-Law No. 85-70 was amended to provide separate charge schedules for housing built in rural and urban areas -- the urban charge remained unchanged while a lower charge of \$600 was established for single-family and semi-detached houses in rural areas.

In 1971 the schedule of charges for industrial and commercial development was revised. The new charges based on a percentage of building permit value were 2 percent on the first \$1 million, 1 percent on the next \$1.5 million and nil on value over \$2.5 million.

Table 4 outlines the increases which have occurred in cash imposts on residential development over the past five years.

TABLE 4 RESIDENTIAL CASH IMPOSTS, ⁽¹⁾ NEPEAN TOWNSHIP,
1968-1973

	<u>In Effect 1968</u>	<u>1969</u>	<u>1970</u>	<u>In Effect July 1973</u>	<u>Percent Increase 1968-1973 Percent</u>
		<u>Dollars</u>			
<u>Single-family units</u>					
Urban	450	500	900	900	100.0
Rural	Nil	Nil	600	600	
<u>Semi-detached units</u>					
Urban	375	450	900	900	140.0
Rural	Nil	Nil	600	600	
<u>Triplex or duplex units</u>	375	450	900	900	140.0
<u>Units in Multiple family type dwellings having 3 storeys or less</u>	Ranged from \$200	Ranged from \$300	900	900	140.0
<u>Units in multiple family type dwellings having 4 storeys or more</u>	to \$375	to \$450	450	450	125.0

1. Sewer and water charges in 1968 and 1969 and development charges in 1970 and 1971.

Increases of 100 percent or more took place over this period. While the rate of charges has not risen since 1970 it should be noted that a committee of Council has recently been requested to take a look at development charges.

4. CITY OF ST. CATHARINES

Unlike the other seven municipalities examined in this chapter, the City of St. Catharines does not levy a cash impost in new subdivisions or in redevelopment situations. Apparently, following the amalgamation of the City of St. Catharines, the Towns of Merriton and Port Dalhousie and part of Grantham Township effective January 1, 1961, the Council of the new city decided not to impose cash imposts. In addition the sewage disposal plant was regarded to be a capital responsibility financed by debentures which were repayable through general tax revenue.

At the same time it was decided however that developers should pay all the capital costs, both external and internal, of municipal services incurred because of the development of their subdivisions. Hence, the developer was and still is responsible for providing trunk sanitary and storm sewer lines which are of sufficient capacity to serve the ultimate drainage area in which the subdivision is located as well as watermains of sufficient size to service his subdivision as well as lands outside the subdivision.

While a developer in other municipalities is generally responsible for installing trunk sewer and water lines which the municipality requires to have a greater capacity (often called "oversized") than is required to serve his subdivision, the municipality often reimburses him for the extra cost. In other words, the typical arrangement appears to be for the municipality to use impost revenue to reimburse the developer for the cost of oversized services. Hence, while St. Catharines

does not directly levy a cash impost as such, indirectly^{31.} developers are paying what is equivalent to an impost in other municipalities, albeit in many instances probably a comparably low one.

In the mid 1960's Council seriously considered the introduction of an impost on all new multi-family dwellings with monies derived therefrom to be used for capital works. However the impost would have required a special bill to be passed on the Ontario Legislature and application to the Legislature was never made.

The City does levy a drainage impost on developable land totalling some 170-200 acres in three storm drainage areas. The impost which ranges from \$1,000 to \$2,000 per acre was first levied in 1968.

The City is considering the imposition of a cash impost in connection with new development in the west end. However, at this time, no decision has been taken on this matter.

5. BOROUGH OF SCARBOROUGH

Scarborough was one of the first Ontario municipalities to establish a cash impost. In the early postwar years (approximately 1950) as a result of a combination of developer pressure and a lack of municipal funds, Scarborough initiated a sewer levy to help finance the cost of urban expansion.

In the early 1950's Scarborough started engineering studies for a sewage treatment plant to serve the Highland Creek watershed. With the formation of Metropolitan

Toronto in 1953, responsibility for sewage treatment facilities became a responsibility of Metro Toronto. As the former Township of Scarborough considered the proposed plant to be a more urgent priority than did the new Metro Toronto Council, Scarborough and Metro Toronto reached an agreement whereby Metro Toronto would construct the facility when it was required by Scarborough. In turn Scarborough and Metro Toronto jointly agreed on a scale of sewer impost charges which would be collected by the Township on all new subdivisions and remitted to Metro Toronto. The agreement, which was extended to other areas within Metro Toronto over the years and subject to much controversy, was eventually cancelled in 1972.

Hence, for more than 15 years developers of new subdivisions in Scarborough were subjected to two sewer charges -- a Scarborough sewer levy and a Metro Toronto sewer impost. Revenue from the Scarborough levy is used to assist in financing subtrunk sanitary sewers and trunk storm sewers throughout the Borough.

While only incomplete information was available to the consultant on increases in the schedule of imposts over the last 20-25 years, in 1959 it appears that the Scarborough sewer impost for low density housing was \$2.50 per front footage on any street for every residential lot in the subdivision plus \$100 for every 5,000 square feet of area in blocks in the subdivision. For a 50 foot lot

the sewer impost would have been about \$225. In addition a watermain charge of \$50 per lot was also levied.

The sewer levy appears to have increased every couple of years or so. Table 5 shows the increase in levies by type of development over the past few years. Unfortunately, the figures for lower density residential development are not directly comparable as the basis of calculating these levies was changed during the period.

TABLE 5 SEWER LEVY, BOROUGH OF SCARBOROUGH,
1968-1973

	<u>June</u> <u>1968</u>	<u>July</u> <u>1973</u>
	<u>Dollars</u>	
<u>Low density residential</u>		
<u>(Per unit)</u>		
Single-family	\$6.25 per	575
Semi-detached	front foot	375
Duplex	plus \$1,100	375
Street townhouse	per acre of	250
	block area	
<u>Apartments</u>	\$545 per acre	\$2,525 per acre
	of block area	of block area plus
	plus \$50 per unit	\$75 per unit
<u>Commercial</u>	\$1,100 per acre	\$1,750 per acre
	of block land	of block land
<u>Industrial</u>	\$312 per acre	\$660 per acre
	of block land	of block land

If it is assumed that single-family lots have a front footage of 50 feet and a density of 5 lots per acre, then the 1968 levy on this type of housing would have been about

\$530 -- not much less than the rate in force in 1973. On the other hand, the levy on apartments increased sharply over the five year period.

Scarborough also imposes levies that are used to assist in the financing of trunk water mains and the reconstruction of existing Borough boundary roads but these are relatively small and increased little over the past five years.

In 1970 Scarborough passed a by-law under the provisions of Section 359 of the Municipal Act. All high rise and industrial development other than that occurring in subdivisions having agreements under Section 33 of The Planning Act are subject to levies for storm and sanitary sewers and water supply facilities. For storm and sanitary sewers charges on multiple housing, commercial and industrial development are the same as those outlined in Table 5. The water supply facilities levy is relatively small.

6. CITY OF OSHAWA

Beginning in 1965 the City of Oshawa imposed a capital levy on new residential subdivisions with the proceeds being applied toward the cost of sanitary trunk sewer and sewage treatment plant construction. The levy was a \$4.50-\$5.50 charge per lineal foot of frontage for low density housing and a \$3,000-\$3,500 charge per acre for higher density housing.

In 1970 the basis for calculating the levy was revised. Separate development levies were required for trunk sewer construction (a per acre charge) and sewage treatment plant construction (a per unit charge). Table 6 shows the current schedule of development

levies and changes in the levies since 1970.

TABLE 6 SEWER LEVY, CITY OF OSHAWA,
1970-1973

	1970	1971	In Effect July 1973	Percent Increase 1970 - 1973 Percent
	_____	_____	_____	
		Dollars		
<u>Trunk Sewer Construction</u>				
Payment per acre (residential, commercial and industrial land)	750	750	750	--
<u>Sewage Treatment Plant Construction</u>				
Single-family dwelling, dual dwelling, semi- detached dwelling, or apartment buildings of 5 units or less (per unit)	225	290	340	51.1
Group dwellings (per unit)	200	265	310	55.0
Flats and apartment buildings of 6 units or more (per unit)	130	165	195	50.0

The levy for trunk sewer construction which is applicable to all non-public land in new subdivisions remained unchanged at \$750 per acre over the last three years. In contrast the levy for sewage treatment plant construction, which by the way is limited to residential development, increased by slightly more than 50 percent.

Early in 1973 it became City policy to extend the sewer levies to new residential development outside

subdivisions. If a developer has to go before Council for any reason (e.g., rezoning of his site) as a condition of approval he will have to pay the levies that are imposed on subdivisions.

The Public Works Committee of Council proposed some two months ago to introduce a levy to help pay for arterial streets in the City. The schedule of rates proposed are as follows:

	Dollars Per Dwelling Unit
Single-family houses	1,700
Semi-detached houses	1,900
Group dwellings	1,700
Apartments and flats	950

At a recent meeting the Committee heard representations from the local developers' and house builders' associations opposing the new levy. The Committee did not reach a decision at the meeting on whether to present the levies to Council.

7. CITY OF KITCHENER

By resolution of Council, the City of Kitchener in 1966 imposed a lot levy on residential and commercial development. The levy applied to new subdivisions and developments on rezoned land or land separations approved by the Committee of Adjustment.

In 1969 the lot levies were established at \$500 for each residential dwelling unit, \$50 for each bedroom unit in a rooming or lodging house and \$5,000 per acre for commercial development. This schedule of rates was also in effect in July, 1973.

Prior to January, 1973 revenues from the lot levy could be used for the following purposes: the purchase of land in excess of the standard 100 foot width for arterial road allowances within a subdivision; pavement and drainage of arterial roads where access is not permitted; storm and sanitary trunk sewers; and pavement and services abutting school and park sites.

In January, 1973 the resolution was amended to read as follows:

"Monies received by the City of Kitchener through the lot levy on and after February 1, 1972 shall be used for such capital purposes of the Corporation as the council may from time to time by resolution provide."

8. GLOUCESTER TOWNSHIP

According to municipal officials, the history of cash imposts in Gloucester Township is quite similar to that in Nepean Township. Levied first in the early 1960's, subdivision charges were intended to help finance sewer and water facilities. The purpose of these charges evolved over the years however into a source of financing for general

capital expenditures throughout the Township.

The level of imposts in 1966 ranged from \$200-\$300 for single-family houses, depending upon lot size, to \$1,200 per acre plus \$100 per unit for multiple residential development. By July, 1973 these charges had increased to \$350-\$450 for single-detached houses and \$1,200 per acre for multiple residential development plus \$175 per unit for row housing and low-rise apartments and \$100 per unit for high-rise apartments.

The only change in the structure of cash imposts during the 1966-1973 period was the establishment of a separate higher rate schedule for row housing and low rise apartments than the schedule which applied to high rise apartment units. In July, 1973 the impost on industrial and commercial development stood at \$2,100 per acre compared with \$1,200 per acre in 1973.

9. SUMMARY

A brief look at the history of cash imposts in eight Ontario municipalities reveals widely divergent experiences among municipalities.

In some municipalities cash imposts were introduced in the early postwar years while in others imposts were not introduced until the 1960's; one of the sample municipalities still does not levy a cash impost on new

development. Some municipalities levy imposts on residential development only while others apply imposts to industrial and commercial development. In some of the sample municipalities a uniform per unit levy is applied to all types of residential development; in others this is not the case. In several municipalities the original motive for initiating imposts was to help finance the expansion and extension of sewer and water facilities; in others the motive was more general, e.g., to help finance capital expenditures in the community. In several municipalities the reasons for levying imposts were the same in 1973 as when they were originally introduced; in others the reasons have changed. In a few municipalities the level of imposts have increased moderately in recent years; in others the increase has been marked.

In summary, a review of the development of municipal imposts in the eight sample municipalities shows that for most part each municipality has had an unique experience. Generalizations about imposts therefore are difficult if not impossible to make.

CHAPTER 4

COMPARISON OF CURRENT CASH IMPOSTS IN
EIGHT ONTARIO MUNICIPALITIES

In this chapter the impost structures in effect in the eight sample municipalities in July, 1973 are compared. The chapter begins with a brief survey of some of the significant variations in developer responsibilities for the provision of municipal services under subdivision agreements in the sample municipalities. Next unearmarked and earmarked cash imposts levied under subdivision agreements on developers in the sample municipalities are each compared. A very preliminary look at possible reasons for inter-municipal differences in the level of imposts is then presented. Lastly, a comparison is made of cash imposts levied on new developments which are outside subdivisions having an agreement under Section 33 of The Planning Act.

1. DEVELOPER RESPONSIBILITY UNDER SUBDIVISION AGREEMENTS

The analysis here is restricted to a cursory overview of differences in responsibilities imposed on developers with respect to the extension of municipal services (generally

called external services) to their property and the provision of services having a capacity greater than what is needed to properly service their property (often called "oversizing" of services). The analysis is based on an examination of the contents of blank residential subdivision agreements provided by the sample municipalities.*

(a) Extension of Trunk Services

At the one extreme is the situation in which the developer pays the entire cost for extending major municipal services to his property. The Cities of St. Catharines and Burlington and Nepean and Gloucester Townships apparently require the developer to bear these costs.

On the other hand, in the City of Kitchener and the Borough of Scarborough the municipalities appear to be financially responsible for most of the costs of extending major services. In Kitchener, for example, storm and sanitary trunk sewers are installed at the expense of the City and then charged to the Lot Levy Fund or debentured (the developer is responsible however for extending collector sanitary and storm sewers).

The Cities of Hamilton and Oshawa appear to shift much of the burden of trunk service extensions to developers. Hamilton appears to use the 1 foot reserve to recover costs of external services from future land subdividers

* A serious pitfall in basing the analysis on copies of the blank standard subdivision agreement is that the terms of actual subdivision agreements often deviate from the standard agreement. In many ways the terms of each subdivision agreement are unique to that agreement.

in instances where plans of subdivisions have not been registered on abutting land.* The City of Oshawa places responsibility for external storm sewers on the developer as well as a goodly share of the costs of external sanitary trunk sewers and trunk water mains (the developer pays the first \$12 per lineal foot for external sanitary sewers and the first \$5 lineal foot for water mains). In Oshawa extension of arterial roads appear to be the financial responsibility of the City.

(b) Oversized Major Services

For oversized major services, the City of St. Catharines makes the developer responsible for all servicing costs within his subdivision, regardless of whether or not the services are required to have sufficient capacity to serve other lands.

In contrast, in the Cities of Kitchener and Hamilton, the Town of Burlington, and Nepean and Gloucester Townships the municipalities pay all or a large portion of the costs of oversized services. Many of the costs are ultimately recovered when the benefiting lands are subdivided. Hamilton however pays the extra cost of constructing roads which are wider or have thicker payment

*Many municipalities use the one foot reserve as a method for insuring that when lands benefiting from the extension or oversizing of services are ultimately developed, the subdividers thereof pay a fair share of the costs.

than is normal for residential streets in the City; Hamilton also pays the extra cost of constructing storm sewers over 36 inches in diameter. The City of Kitchener is responsible for the costs of roads in excess of normal subdivision roads and trunk storm and sanitary sewers; developers however are financially liable for the costs of storm and sanitary collector sewers regardless of size. The Town of Burlington initially bears the cost of oversized storm and sanitary sewers and roads providing oversizing increases the costs of the services by more than 10 percent (the Town will pay increased costs in excess of 10 percent).

In the City of Oshawa the developer is liable for the cost of oversized water mains and storm sewers while the City bears the cost of sanitary sewers in excess of the size required to service the subdivision or one-half the cost of an eight inch diameter whichever cost is less.

2. UNEARMARKED CASH IMPOSTS ON SUBDIVISION DEVELOPMENT*

(a) Residential Property

Four of the eight sample municipalities levy cash imposts which have been classified here as unearmarked imposts (see Table 7). Revenues raised by these imposts are generally to be used for general capital purposes in the municipalities.

None of the four municipalities -- Town of Burlington, Gloucester and Nepean Townships and the City of Kitchener, refer to their charges as cash imposts. Instead the names range from subdivision charges to lot levy and capital contributions.

Furthermore, there is no uniformity in the application of imposts to various types of residential development. In Kitchener the impost is the same per unit for all types of housing. The imposts levied in Burlington and Nepean Township are the same for family-type accomodation (single-detached, semi-detached and duplex, row and low rise apartment units) but lower per unit for high rise apartment. In Gloucester Township the impost per unit falls with increased densities.

*For a discussion of earmarked and unearmarked cash imposts, the reader should refer back to the section entitled "Definition of Cash Imposts" in Chapter 1.

TABLE 7 UNEARMARKED CASH IMPOSTS ON RESIDENTIAL DEVELOPMENT IN
SUBDIVISIONS IN EFFECT JULY, 1973, IN SAMPLE MUNICIPALITIES

<u>Municipality</u>	<u>Dollars</u>				<u>Row</u>		<u>Apartments</u>	
	<u>Single-detached Units</u>	<u>Semi-detached and Duplex Units</u>	<u>Units</u>	<u>Units</u>	<u>Units</u>	<u>Units</u>	<u>Low Rise Units (1)</u>	<u>High Rise Units</u>
Burlington, Town	1,500 (1,200) (1)	1,500	1,500 (2)	1,500	750		1,500 (3)	126 (4)
Gloucester, Township	350 - 450 (1)	325	292	292	126		245	
Hamilton, City	Nil	Nil	Nil	Nil	Nil		Nil	Nil
Kitchener, City (1)	500	500	500	500	500		500	500
Nepean, Township	900 (600) (1)	900 (600) (1)	900	900	450		900	450
Oshawa, City	Nil	Nil	Nil	Nil	Nil		Nil	Nil
St. Catharines, City	Nil	Nil	Nil	Nil	Nil		Nil	Nil
Scarborough, Borough	Nil	Nil	Nil	Nil	Nil		Nil	Nil

Notes

- (1) Low rise units refer to units in apartment buildings of three storeys or less.
Burlington, Town -- "capital contributions"
(1) \$1,200 applies to rural areas.
Gloucester, Township -- "subdivision charges".
(1) \$350 for lots of less than 7,599 in size; \$450 for larger lots;
(2) \$2,100 per acre charge converted to units assuming 18 units per acre;
(3) \$2,100 per acre charge converted to units assuming 30 units per acre;
(4) \$2,100 per acre charge converted to units assuming 80 units per acre.
Kitchener, City -- "lot levy".
(1) In addition there is a \$50 per bedroom unit levy on rooming or lodging houses.
Nepean, Township -- "subdivision development charges".
(1) \$600 applies to rural areas.

Imposts are highest in the Town of Burlington followed by Nepean Township, City of Kitchener (except for high rise apartments where the impost is slightly above that in Nepean) and lowest in Gloucester Township. The Cities of Hamilton, Oshawa and St. Catharines and the Borough of Scarborough do not levy unearmarked impost, though with the exception of St. Catharines, these municipalities do levy earmarked impost.

(b) Industrial and Commercial Property

Imposts on new industrial and commercial development in subdivisions range from nil in the Town of Burlington to \$2,100 and \$5,000 per acre respectively in Gloucester Township and Kitchener (commercial development only). In Nepean the levy is related to the value of the building permit issued -- generally 2 percent of value on the first \$1 million, 1 percent on the next \$1.5 million and no charge on value exceeding \$2.5 million. Minor exceptions to this fee structure include service stations and gas bars which are subject to a charge of 5 percent.

3. EARMARKED CASH IMPOSTS ON SUBDIVISION DEVELOPMENT

(a) Residential Property

Six of the eight sample municipalities levy cash impost on residential development in new subdivisions which are earmarked for specific purposes (see Table 8).

TABLE 8 EARMARKED CASH IMPOSTS ON RESIDENTIAL DEVELOPMENT IN SUBDIVISIONS

IN EFFECT JULY, 1973 IN SAMPLE MUNICIPALITIES

Dollars

Municipality	Single-detached Units (1)	Semi-detached and Duplex Units (1)	Row (1) Units	Apartments (1)	
				Low Rise Units (2)	High Rise Units
Burlington, Town (1)					
Gloucester, Township (1)	86	71	110	106	102
Hamilton, City	250	250	250	250	250
Kitchener, City	Nil	Nil	50	50	50
Nepean, Township	Nil	Nil	Nil	Nil (2)	Nil
Oshawa, City (1)	490	428	352	365	204
St. Catharines, City (1)	Nil	Nil	Nil	Nil	Nil
Scarborough, Borough	681	458	316	219	110

Notes

(1) Per acreage charges converted into units according to following densities: single detached -- 5; semi-detached and duplex -- 8.5; row -- 18; low rise apartment -- 30; and high rise apartment -- 80.

(2) Low rise units refer to units in apartment buildings of three storeys or less.

Town of Burlington

(1) The Public Utilities Commission levied a \$0.85 and \$1.00 per lineal foot charge respectively for bringing water mains and hydro lines to subdivisions.

Gloucester Township -- includes "sewer charge" and "recreation charge".

(1) Includes \$180 per acre sewer charge and a recreation charge of \$100 per unit for multiple buildings and \$50 per unit for singles, doubles and duplexes.

Hamilton, City -- "capital charge" or "trunk sewer rate impost".

Kitchener -- "City Park Density Trust Fund".

Oshawa, City -- includes "capital levy towards the cost of sanitary trunk sewer construction" and "capital levy towards sewage treatment plant construction".

(1) Includes \$750 per acre charge plus a varying per unit charge.

(2) Apartment buildings of 5 units or less.

Scarborough, Borough -- includes "sewer levy" and "charges for trunk watermain" and "charge for reconstruction of existing Borough boundary roads".

(1) Includes \$280 per acre charge for boundary road construction; for row and apartment units, the sewer levy is a combination of a per unit and a per acre charge; it is assumed as an approximation that the levy for trunk watermain is \$50 per unit for all types of housing.

In four of the municipalities -- Gloucester, Hamilton, Oshawa, and Scarborough -- the impost provides funds which are used to help finance sewer construction. Burlington and Scarborough impose small levies that go toward the financing of trunk water mains while Gloucester and Kitchener have recreation charges which are in addition to the 5 percent dedication of land for park purposes. Burlington also has a small levy to assist in financing the extension of hydro lines to subdivisions while Scarborough imposes a charge to help finance the reconstruction of existing Borough boundary roads. The City of St. Catharines is unique in that it does not levy either type of cash impost; Hamilton is also unique in that impost revenue is tied to the financing of a specific sewer facility.

As a generalization, it seems as if earmarked imposts are lower than unearmarked imposts though there are exceptions. For single-detached houses two of the unearmarked imposts -- in Burlington and Nepean -- are higher than the earmarked impost in Scarborough (Scarborough has the highest impost of the six municipalities levying earmarked imposts).

(b) Industrial and Commercial Property

Gloucester Township and Kitchener do not apply their recreation levies to commercial and industrial development; similarly, Oshawa's levy for trunk sanitary sewers is not applied to these types of development though the levy for sewer treatment plant construction is. The City of Hamilton's sewer levy is a flat \$0.25 per square foot of floor space for industrial and commercial development within subdivisions.

In contrast with Hamilton, the Borough of Scarborough has a higher sewer levy on commercial development -- \$1,750 per acre compared to \$ 650 per acre for industrial development. Both types of development in Scarborough are subject to the boundary road construction levy of \$280 per acre.

4. CAUSES OF INTER-MUNICIPAL DIFFERENCES IN CASH IMPOSTS

It is beyond the scope of the present study to explore in detail factors accounting for inter-municipal differences in the level of cash imposts. However, it is instructive to explore in a very preliminary way some possible causes of the differences.

Below the eight sample municipalities are ranked according to the level of the combined earmarked and un-earmarked cash imposts levied on single-detached houses.

<u>Municipality</u>	<u>Combined Impost</u>	<u>Ranking (highest to lowest)</u>
	<u>Dollars</u>	
Burlington, Town	1,500	1
Nepean, Township	900	2
Scarborough, Borough	681	3
Kitchener, City	500	4
Oshawa, City	490	5
Gloucester, Township	436	6
Hamilton, City	250	7
St. Catharines	Nil	8

The three potential explanatory factors considered are: (a) the rate of population growth; (b) the ratio of

commercial and industrial assessment to total taxable assessment; and (c) the approximate proportion of the costs of external and oversized services which are shifted to developers. Everything else being equal, it could be hypothesized that imposts are likely to be higher in areas experiencing rapid population growth, in areas having relatively low industrial-commercial assessment ratios, and in areas where the municipality is financially responsible for the provision of external services to subdivisions and the extra costs of oversized services.

Tables 9 and 10 present statistics on population growth and the ratio of commercial and industrial assessment to total taxable assessment in the eight sample municipalities. The discussion in the first section of this chapter is used as the basis for ranking (albeit rather crudely) the sample municipalities according to the respective shares of the cost of external and oversized services falling on the shoulders of the municipality and developers. Table 11 summarizes the resultant rankings.

There appears to be a fairly close relationship between the level of 1973 imposts and the rate of population growth over the 1966-1971 period. The only significant exceptions are Gloucester Township which had the fastest population growth rate but ranked sixth in terms of the level of imposts and the Town of Burlington which had the highest impost but ranked third in terms of population growth.

TABLE 9 POPULATION GROWTH, SAMPLE MUNICIPALITIES,
1963-1972

<u>Municipality</u>	<u>1961</u>	<u>1966</u>	<u>1971</u>
<u>Total Population (Persons)</u>			
Burlington, Town	47,008	65,941*	87,023
Gloucester, Township	18,301	23,222	37,145
Hamilton, City	273,991	298,121*	309,173
Kitchener, City	74,485	93,255*	111,804*
Nepean, Township	19,753	43,919	64,606
Oshawa, City	62,415	78,082	91,587
St. Catharines, City	84,472	97,101	109,722*
Scarborough, Borough	217,286	278,377	334,310
<u>Increase in Total Population (Persons)</u>			
Burlington, Town	18,933*	21,082	
Gloucester, Township	4,921	13,923	
Hamilton, City	24,130*	11,052	
Kitchener, City	18,770*	18,549*	
Nepean, Township	24,166	20,687	
Oshawa, City	15,667	13,505	
St. Catharines, City	12,629	12,621*	
Scarborough, Borough	61,091	55,933	
<u>Increase in Total Population (Percent)</u>			
Burlington, Town	40.3*	32.0	
Gloucester, Township	26.9	60.0	
Hamilton, City	8.8*	3.7	
Kitchener, City	25.2*	19.9*	
Nepean, Township	122.3	47.1	
Oshawa, City	25.1	17.3	
St. Catharines, City	15.0	13.0*	
Scarborough, Borough	28.1	20.1	

* Not strictly comparable due to a change in municipal boundaries.

Source: Statistics Canada, Census of Canada.

TABLE 10 COMMERCIAL AND INDUSTRIAL AS A PERCENTAGE OF
TAXABLE ASSESSMENT, SAMPLE MUNICIPALITIES,
1963-1972

<u>Municipality</u>	<u>1963</u>	<u>1966</u>	<u>1969</u>	<u>1972</u>
Burlington, Town	24.5	23.8	23.8	24.2
Gloucester, Township	24.7	26.1	25.6	21.6
Hamilton, City	47.0	46.7	46.6	46.0
Kitchener, City	40.7	41.0	40.4	41.3
Nepean, Township	21.5	19.9	22.6	25.4
Oshawa, City	46.5	46.8	44.7	43.4
St. Catharines, City	37.4	35.9	34.3	34.7 (1)
Scarborough, Borough	28.0	30.0	33.0	34.0

(1) 1971.

Source: Financial Statements and Auditor's Reports
for the Year Ended December 31, 1972.

TABLE 11 COMPARISON OF IMPOSTS IN THE SAMPLE
MUNICIPALITIES AND POSSIBLE EXPLANATORY
FACTORS

<u>Municipality</u>	Imposts On Single- Detached Houses July 1973 (ranked from highest to lowest)	Percent Increase in Total Population 1966-1971 (ranked from highest to lowest)	Ratio of Commercial and Industrial Assessment to Total Taxable Assessment 1972 (ranked from lowest to highest)	Responsibility for the Financing of External and Oversized Municipal Services*
Burlington, Town	1	3	2	Mostly municipality
Nepean, Township	2	2	3	Mostly developer
Scarborough, Borough	3	4	4	Mostly municipality
Kitchener, City	4	5	6	Mostly municipality
Oshawa, City	5	6	7	Mostly developer
Gloucester, Township	6	1	1	Mostly developer
Hamilton, City	7	8	8	Mostly municipality
St. Catharines, City	8	7	5	Developer

*Crude approximations made on the basis of reading
the standard subdivision agreement used in each municipality.

Turning to the ratio of commercial and industrial assessment to total assessment, the pattern appears less definite. The Cities of Kitchener and Oshawa have relatively higher imposts than their ranking according to the commercial-industrial assessment ratios would suggest. In contrast, Gloucester and St. Catharines have smaller imposts than their ranking would indicate.

As to responsibility for the financing of external and oversized services, Nepean Township and the City of Hamilton do not behave in the hypothesized way. Nepean, in addition to having a fairly high impost, also requires developers to shoulder most of the responsibility for external trunk services. In contrast, Hamilton has a low impost and also finances much of the cost of oversized services.

The preliminary investigation of causes of inter-municipal variations in municipal imposts suggests that the factors explored here help to explain the differences. However, they by no means provide a total explanation.

5. CASH IMPOSTS ON NEW DEVELOPMENT OUTSIDE SUBDIVISIONS

The general practice is for municipalities to levy the same cash imposts on development outside subdivisions as those applicable to subdivision development. Of the sample municipalities only the City of Hamilton imposes different levies. In Hamilton the levy per multiple unit of housing is \$160 outside subdivisions compared with \$250 per unit in subdivisions; the levy on nonresidential development however is the same for both types of development.

CHAPTER 5

USE OF CASH IMPOST REVENUES IN
SEVEN ONTARIO MUNICIPALITIES

This chapter briefly examines what is done with the revenues raised through cash imposts in the sample municipalities.

1. MUNICIPAL FINANCIAL STATEMENTS

The Financial Statements and Auditor's Report for the year ended December 31, 1972 for each of the sample municipalities were reviewed in order to try to determine the uses to which impost revenues are put.* It was found that each of the municipalities levying imposts established reserve funds related to cash imposts. This of course is required under Sections 309 and 359 of The Municipal Act.

Table 12 provides details of these reserve funds for the year 1972. Typically the financial statements reveal very little information -- revenue is received from subdividers and expended on capital expenditure. Nepean Township is the only one of the sample municipalities which

*For the City of Kitchener it was necessary to review the 1971 Financial Statement and Auditor's Report since the 1972 report was not available.

TABLE 12*

MUNICIPAL IMPOST RESERVE FUNDS, SAMPLE MUNICIPALITIES,

FOR THE YEAR ENDED DECEMBER 31, 1972

	<u>Dollars</u>			
	<u>Town of Burlington Sub-Dividers Permit Fees</u>	<u>Gloucester Township Development Charge Fund</u>	<u>City of Hamilton Sanitary and Storm Sewer System</u>	<u>City of Kitchener (1) Lot Levies</u>
Balance at the beginning of the year	1,157,955	356,956	312,385	(137)
Revenue:				
Subdividers contributions	1,833,200	239,402	309,840	651,797
Interest earned	82,560	27,595		
Gain on sale of investments	6,026			
Provincial grants and other	<u>1,921,786</u>	<u>266,997</u>	<u>309,840</u>	<u>651,797</u>
Expenditure:				
Contributions for capital expenditure	911,928	270,610		213,522
Street lighting	80,950			
Recreation				
Sportsplex				
Contributions to Revenue Fund	<u>992,878</u>	<u>270,610</u>	<u>Nil</u>	<u>213,522</u>
Balance at the end of the year	2,086,863	353,343	622,225	438,138

(1) For the year ended December 31, 1971.

*Table 12 continued on next page.

TABLE 12
(continued)

MUNICIPAL IMPOST RESERVE FUNDS, SAMPLE MUNICIPALITIES,

FOR THE YEAR ENDED DECEMBER 31, 1972

	<u>Dollars</u>			
	Nepean Township Lot Fee Account	City of Oshawa Levy for Trunk Sewers and Sewage Treatment	Borough of Scarborough Sewer Impost	Subdivision Services
Balance at the beginning of the year	2,230,839	954,650	1,171,933	463,223
Revenue:				
Subdividers contributions	702,990	269,962	1,170,676	111,686
Interest earned		62,526	165,875	17,730
Gain on sale of investments			21,346	88,814
Provincial grants and other			1,357,897	218,230
	<u>702,990</u>	<u>332,488</u>		
Expenditure:				
Contributions for capital expenditure		242,090	478,444	
Street lighting	76,065			
Recreation	1,833,347			
Sportsplex				
Contribution to Revenue Fund	<u>1,909,412</u>	<u>17,700</u> <u>259,790</u>	<u>478,444</u>	<u>Nil</u>
Balance at the end of the year	1,024,417	1,027,348	2,051,386	681,453

breaks down the capital expenditure by function. In 1972 Nepean Township used \$1.8 million of the funds in the lot fee development account to help finance a new sports complex.

Since the financial reports provide very little insight into the use of impost revenue, it was necessary to utilize other sources of information. The descriptions presented below are based on interviews the consultant had with municipal officials and a review of the several municipal by-laws and resolutions made available by municipal officials in the sample municipalities levying cash imposts.

2. TOWN OF BURLINGTON

Burlington's residential subdivision agreement includes the following clause:

"So far as is necessary or reasonable, capital contributions payable under the Subdivision Agreement will be used in or adjacent to the subdivision for works benefitting the subdivision. Any contribution not so used will be used in general capital works for which they may lawfully be used. (See Sec. 299 of The Municipal Act." (page 16).

Hence, while impost funds in the first instance are to be spent on works in or adjacent to the subdivision from which they are raised, these funds can also be used to finance general capital works throughout the municipality. Town Council in 1970 decided that 50 percent of future impost receipts should be set aside for use for storm drainage or creek enclosures throughout the Town.

In so far as new development outside subdivisions is concerned, Burlington in 1971, as a result of a private member's bill in the Legislature, introduced a levy on

residential development which is more general than that permitted by Section 359 of The Municipal Act. The levies according to a blank copy of the agreement used are "for the capital purposes of the Town" and "any payments made pursuant to this paragraph are on account of or in lieu of any charges imposed or to be imposed pursuant to section 359 of The Municipal Act".

3. GLOUCESTER TOWNSHIP

In Gloucester the proceeds of subdivision charges are used to help finance capital outlays made by the Township. An examination of Gloucester's financial statements for the year 1972 shows that \$346,339 of reserve funds' revenue -- including \$270,610 from the development charge fund -- went towards "contributions for capital expenditure". One of the sources of capital financing on the Statement of Capital Fund Operation is "contributions from reserve funds and reserves" of \$346,339.

4. CITY OF HAMILTON

Revenue from the capital charge on new subdivision development is earmarked to repay a loan from the Ontario Housing Corporation; this is part of an agreement between the City and OHC whereby OHC constructed a major sewer facility.

Funds from the levy on development outside subdivisions are spent in accordance with Section 359 of The Municipal Act.

5. CITY OF KITCHENER

According to the Lot Levy Resolution of Council

"Monies received by the City of Kitchener through the lot levy on and after February 1, 1972 shall be used for such capital purposes of the Corporation as the council may from time to time by resolution provide."

This resolution appears to apply to development both within and outside subdivisions.

Funds received prior to January 31, 1972 are to be used for the purchase of land for arterial road allowances within a subdivision (the land in excess of 100 feet in width), pavement and drainage of arterial roads where access is not permitted, storm and sanitary trunk sewers, and pavement and services abutting park sites.

6. NEPEAN TOWNSHIP

According to By-Law No. 85-70 development charges on both subdivision development and other development are "to be used for the development of municipal works or municipal construction or municipal structures". As an example of expenditure of these funds over \$1.8 million in 1972 was used to help finance construction of a major sports complex in the Township.

7. CITY OF OSHAWA

In Oshawa the charges on subdivision development and other development are levied in order to raise revenue to finance construction of sanitary trunk sewers and sewer treatment facilities. According to municipal officials the funds are used for these purposes.

8. BOROUGH OF SCARBOROUGH

On new subdivision development Scarborough imposes sewer, trunk water main, and boundary road levies. Other development is subject to a levy under the authority of Section 359 of The Municipal Act. According to municipal officials the funds are used within the Borough for the purposes for which they were collected.

CHAPTER 6

CONCLUSIONS

The present study was intended to be only an exploratory investigation of municipal cash imposts in Ontario. While it was directed at collecting data related to cash imposts, the consultant, as a result of undertaking the study, formed certain opinions about the nature and role of these imposts. These opinions are stated below.

1. Cash imposts are part of a much broader issue related to the financing of the extension and expansion of municipal services and facilities brought about by urban growth. The basic question is who should pay the municipal costs associated with new development: Existing citizens of the community? The persons moving into the new development? The Provincial Government? The Federal Government? Rather convincing arguments could be made for the costs to be borne all or in part by each of these groups.

The main point here is that imposts are levied in order to provide funds for special or general capital expenditures of municipalities which are to a large degree a result of urban growth. As such they cannot be considered in isolation from the more general question of

the financing of urban growth by municipalities. For instance, if the Ontario Committee on Taxation's recommendation to prohibit unearmarked imposts were to be adopted without compensatory measures to replace the resulting reduction in municipal revenue, the ultimate result could be less willingness on the part of some municipalities to accept new development.

2. Cash imposts are only one of the many devices employed by municipalities to shift the cost of municipal services generated by new development to developers and ultimately, probably, to the residents and owners of new development. Without a comparison of the total financial obligations placed on developers, it is not possible to determine whether or not some municipalities are imposing abnormally severe financial burdens. A comparison of imposts without a consideration of other financial requirements is a somewhat unproductive exercise.

In addition, the consultant has formulated several questions which he feels could usefully be considered as a basis for reviewing the merits and limitations of the municipal cash impost system in Ontario.

(a) What groups in society should bear the municipal costs generated by new development? The country as a whole? The province as a whole? Existing citizens of

communities experiencing new development? The residents of the new development?

(b) Is it reasonable for the senior governments to continue to encourage new housing production in communities without offering specific financial assistance to offset increased municipal current and capital expenditures brought about by the new housing?

(c) Does new residential development in the longer run impose additional property tax burdens on the existing residents of a community? If so, is this true of all types of residential development?

(d) In calculating the municipal costs incurred as a consequence of new development, what types of costs should be included? Are the relevant costs the incremental costs that new development generates or should part of the cost of the existing municipal infrastructure also be included?

(e) What municipal costs is it reasonable to expect developers to be responsible for?

(f) Once the appropriate financial responsibilities of developers have been determined, is there a role to be played by earmarked and unearmarked cash imposts?

(g) If there is a role for unearmarked imposts, what types of provincial regulations or controls, if any, should be placed on a municipality's power to impose such imposts?

It is hoped that these observations will assist the Ontario Housing Advisory Committee in its deliberations concerning the policy implications of the existing municipal cash impost system in Ontario.

APPENDIX A

PROVINCIAL LEGISLATION RELATED TOCASH IMPOSTS

THE MUNICIPAL ACT

Contribu-
tions re
expenses
incurred by
corporation
re proposed
subdivision
of land

309.—(1) Where a contribution is received by a municipal corporation in consideration of the expense incurred or to be incurred by the corporation as a result of a proposed subdivision of land, such contribution shall be used only to meet expenditures for work done within the subdivision or for the benefit or use of the occupiers or subsequent occupiers of the land within the subdivision or to meet expenditures incurred wholly or in part by reason of the subdivision of such land and, where a contribution is made for a specific purpose, it may be used only to meet expenditures for such purpose.

Special bank
account

(2) Such contributions shall be paid into a special bank account, and subsections 2 and 3 of section 308 apply *mutatis mutandis* thereto.

(3) Notwithstanding subsection 1, if any of the contributions referred to in subsection 1 are not required or likely to be required for the purposes mentioned in subsection 1, they may, with the approval of the Department, be expended for some other purpose. R.S.O. 1970, c. 284, s. 309.

Use for other
purposes

310.—(1) Where the amount collected falls short of the sum required, the council may direct that the deficiency be made up from any unappropriated fund, or, if there is no such fund, the deficiency may be deducted proportionately from the sums estimated, or from any one or more of them.

If the
amount
collected
falls short

(2) Where the amount collected exceeds the estimates, the surplus forms part of the general funds and is at the disposal of the council, unless otherwise specially appropriated. R.S.O. 1970, c. 284, s. 310.

When sums
collected
exceed
estimate

311. The rates imposed for any year shall be deemed to have been imposed and to be due on and from the 1st day of January of such year unless otherwise expressly provided by the by-law by which they are imposed. R.S.O. 1970, c. 284, s. 311.

Rates to be
due on Janu-
ary 1st

THE MUNICIPAL ACT

359—(1) With the approval of the Municipal Board, councils of local municipalities may, by by-law, define the class or classes of buildings to be erected or enlarged after the effective date of the by-law that impose or may impose a heavy load on the sewer system or water system, or both, by reason of which expenditures are or may be required to provide additional sanitary or storm sewer or water supply capacity that in the opinion of a council would not otherwise be required, and may impose upon the owners of such buildings a special charge or charges over and above all other rates and charges to pay for all or part of the cost of providing the additional capacity.

Special charges to provide additional sewer or water supply capacity

(2) The special charge or charges under any by-law shall refer specifically to sewage works or water works as defined in section 362, or to both, as the case may be.

Charges to refer to specific works

(3) The proceeds of the charge or charges authorized by any such by-law shall be deemed to be a reserve fund established under section 308.

Application of proceeds

(4) The by-law may provide that the charge or charges imposed under it are a lien upon the land on which the building is erected, and may be collected in the same manner and with the same remedies as provided by this Act for the collection of real property taxes.

Charges a lien on land

When charges may be made payable

(5) Any charge or charges to be imposed under the by-law may be made payable on an application for a building permit or at any time thereafter.

Exemptions

(6) The following are exempt from any charge or charges imposed under the by-law:

1. Every building on land exempt from taxation under any general or special Act.
2. Every building on land in respect of which an agreement has been entered into with the municipality under section 33 of *The Planning Act* or any predecessor thereof.
3. Every building or any land in respect of which a contribution to provide sanitary or storm sewers or water supply facilities has been made within the ten years previous to the application for a building permit, to the extent of the contribution so made.
4. Every residential building having not more than two dwelling units.
5. Every building, other than a residential building, with an inside floor area of not more than 3,000 square feet. R.S.O. 1970, c. 284, s. 359.

R.S.O. 1970, c. 349

